

LIVESTOCK IMPROVEMENT CORPORATION LIMITED

NOTICE OF 2020 ANNUAL MEETING

15 October 2020

Online at www.lic.co.nz/annualmeeting



LIC - NOTICE OF 2020 ANNUAL MEETING

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Compliance with NZX Listing Rules

This Notice of Meeting complies with all requirements of the relevant NZX Listing Rules. However, NZX accepts no responsibility for any statement within this document.

Defined terms

Unless otherwise indicated, capitalised terms used in this document have the specific meaning given to them in the Glossary on page 19 of this document.

Enquiries

If you have any questions about the number of Shares you hold in LIC, or how to vote or complete the Voting Form, please contact the Election Helpline on 0800 666 049.

Introduction

The business to be conducted at this Annual Meeting consists of two parts: the usual business conducted at each annual meeting (or “Business as Usual” matters), and the proposed changes to the Constitution and Governance Structure.

The “Business as Usual” matters are set out in Part A of the Notice of Annual Meeting and comprise the following matters:

- (a) Presentation of annual financial statements and associated reports;
- (b) Presentation of LIC Shareholder Council’s annual report;
- (c) Presentation of Honoraria Committee’s recommendation on remuneration;
- (d) Appointment of external auditor;
- (e) Approval of Shareholder Council’s / Shareholder Reference Group’s budget; and
- (f) Ratification of the appointment of Sophie Haslem as an Appointed Director.

Part B of the meeting will deal with proposed changes to the Constitution and LIC’s governance and representation structure. These changes are presented in two parts:

- (a) Changes to update and streamline LIC’s governance (the “Proposed Governance Changes”) and implement miscellaneous changes to the Constitution (the “General Changes”); and
- (b) Changes to allow LIC to appoint a Market Maker to facilitate trading in LIC shares.

The above matters are presented in the Notice of Annual Meeting, with further details provided in the following Explanatory Notes.

Notice of Annual Meeting

Notice is given that the Annual Meeting of the Shareholders of Livestock Improvement Corporation Limited will be held virtually at www.lic.co.nz/annualmeeting on **Thursday 15 October 2020** commencing at 10.30 am.

Part A: Business as Usual Matters

Item 1: To receive and consider the Company's Financial Statements for the year ending 31 May 2020 and the associated Directors' and auditor's reports, all as set out in the Annual Report, available on LIC's website (www.lic.co.nz/shareholders/annual-reports) or on request, phone (07) 856 0700.

Item 2: To receive and consider the LIC Shareholder Council's report as presented at the meeting and which will be available on LIC's website following the meeting (www.lic.co.nz/annualmeeting).

Item 3: To receive and consider the LIC Shareholder Honoraria Committee's recommendation to maintain the current level of Directors' and Shareholder Councillors' remuneration.

Item 4: Resolution 1: To reappoint KPMG as external auditor

To consider, and if thought fit, to resolve by way of ordinary resolution to:

"Reappoint the chartered accountancy partnership KPMG as the auditor until the conclusion of the Company's next Annual Meeting, and that the Directors be authorised to fix its remuneration."

Item 5: Resolution 2: To approve the LIC Shareholder Council's / Shareholder Reference Group's budget

To consider, and if thought fit, to resolve by way of ordinary resolution to:

"Approve the budget for the LIC Shareholder Council / Shareholder Reference Group for the year ending 31 May 2021, as outlined in the Explanatory Note in the Notice of Annual Meeting."

Item 6: Resolution 3: To ratify the reappointment of Sophie Haslem as an Appointed Director

To consider, and if thought fit, to resolve by way of ordinary resolution to:

"Ratify the reappointment of Sophie Haslem as an Appointed Director for a term of approximately three years expiring at the conclusion of the third annual meeting following this Annual Meeting."

Part B: Changes to LIC's Constitution and Governance Structure

Item 7: Resolution 4: To amend the areas relating to governance arrangements

To consider, and if thought fit, to resolve by way of ordinary resolution:

"To approve:

- a) *for the purposes of clause 21.4 of the Constitution, a reduction in the number of Wards from 21 to four with effect from 1 January 2021;*
- b) *for the purposes of clause 22.5 of the Constitution, a reduction in the number of Regions from four to two; and*
- c) *the re-designation of Gray Baldwin, Ken Hames, Alison Watters and Ben Dickie as the Elected Directors of the North Island, and Murray King and Matt Ross as Elected Directors of the South Island, subject to the Transitional Arrangements described in the Explanatory Notes to Resolution 5,*

each in accordance with the Revised Ward Description and Revised Region Description respectively, and subject to the passing of Resolution 5."

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Item 8: Resolution 5: To amend LIC's Constitution to reflect the Proposed Governance Changes and General Changes

To consider, and if thought fit, to resolve by way of special resolution:

"To approve:

- a) *the amendment of the Constitution to reflect the Proposed Governance Changes and the General Changes; and*
- b) *the proposed changes to existing Elected Directors' and Councillors' terms of tenure made with a view to implementing the Proposed Governance Changes and as set out in the Transitional Arrangements,*

subject to the passing of Resolution 4."

Note: A summary of these changes to the Constitution is attached at Schedule 1 and a mark-up of the Constitution showing these changes is available at www.lic.co.nz/annualmeeting.

Item 9: Resolution 6: To amend LIC's Constitution to implement the Market Maker Changes

To consider, and if thought fit, to resolve by way of special resolution:

"To approve, subject to the approval by the Minister of Agriculture, the amendment to the Constitution to reflect the Market Maker Changes."

Note: A summary of these changes to the Constitution is attached at Schedule 1 and a mark-up of the Constitution showing these changes is available at www.lic.co.nz/annualmeeting.

Item 10: General business.

Closure: 12.30 pm.

Procedural notes

- (a) *Explanatory Notes relating to the resolutions above are set out in the following pages.*
- (b) *Resolutions 1 to 4 need to be passed by ordinary resolutions, i.e. by a simple majority of the votes of those Shareholders entitled to vote and voting on the relevant resolution.*
- (c) *Resolutions 5 and 6 need to be passed by special resolution, i.e. by a 75% majority of the votes of those Shareholders entitled to vote and voting on the resolution.*
- (d) *In accordance with the Constitution, no person may exercise, or control the exercise of, more than 1% of the maximum number of votes that may be exercised at a meeting of LIC.*
- (e) *For each resolution, the votes counted include valid postal votes, electronic votes and the votes of proxies and representatives.*
- (f) *All resolutions will be determined on the basis of a poll and in accordance with NZX Listing Rule 6.1.1.*

Explanatory Notes - Part A

Item 3: To receive and consider the LIC Shareholder Honoraria Committee's recommendation to maintain the current level of Directors' and Shareholder Councillors' remuneration.

Honoraria Committee

In accordance with clause 24.2 of the Constitution, the Honoraria Committee is made up of up to four independent farmer Shareholders who are elected by Shareholders. The role of the Committee is to consider and recommend the form and amount of the remuneration of Directors and Shareholder Councillors. Committee members are Ian Brown (Chair), Paul Todd, Scott Montgomerie and Shirley Trumper. This year, the Committee met formally on two occasions to review current remuneration levels.

The Honoraria Committee wishes to convey to shareholders that it is evident that the role and business of LIC differs from that of other companies; there is no doubt that LIC is a unique co-operative and operating in a significantly disrupted global economy. The speed of technology change, mergers and acquisitions and the international markets all bring risk and complexity to the business. Health and safety, Listing Rules and financial markets legislation also have a big impact on the business and responsibilities of an LIC Director.

COVID-19

Subsequent to the meetings held by the Honoraria Committee to determine this year's recommendation, LIC, its staff and their families have been impacted to varying degrees by the global pandemic caused by COVID-19.

The Honoraria Committee, following consultation with the LIC Board and Shareholder Council Chairs, thinks it is appropriate to recognise the existing and ongoing effects of COVID-19 on the company, its staff and shareholders as well as the wider economy and has concluded that the increases in honoraria that the Honoraria Committee was intending to recommend to shareholders this year should not proceed, and instead it is recommending no changes be made this year.

Director Honoraria

It is imperative that LIC maintains a high calibre of Directors on its Board. Elected Directors bring a strong understanding of the co-operative as well as the New Zealand market. Appointed Directors bring to the Board a balance of skills and experience relating to international markets, mergers and acquisitions, health and safety, technology, finance and risk, and often have exposure to other complex businesses.

The Committee acknowledges that last year saw an increase of 4.85% for Directors and the remuneration of the Chair maintained. Prior to that, the previous two years have seen the Honoraria for the LIC Board increase slightly each year to maintain relative remuneration parity with similar organisations.

In normal circumstances, the Committee would have recommended an overall increase to the base honoraria of the Directors and the Chair this year but it instead recommends retaining the existing total remuneration at \$669,600.

Shareholder Councillor Honoraria

The role of the LIC Shareholder Council differs to that of the Board in that it is a body whose role is to represent the collective views and interests of LIC's 10,000 or so Shareholders.

There are very few organisations which have a body similar to the Council given its unique role. As such, the Honoraria Committee has very few organisations which it can use for direct comparison when it comes to Councillors' honoraria.

The Committee acknowledges that the Shareholder Council workload had increased over the past year, due to its involvement in ongoing projects. Given the complexity of the LIC business, the Honoraria Committee had intended to recommend an adjustment to ensure fair recognition of the time off farm, and the personal commitment of Councillors. Shareholder Councillors and the Deputy Chair have not seen an increase in their remuneration since 2013. The Chair received small increases in 2017 and 2018. The Honoraria Committee further acknowledges the increased workload of the Chair on behalf of Shareholders.

In normal circumstances, the Honoraria Committee would be recommending an increase to the current level of Shareholder Councillors' remuneration but it instead recommends retaining the existing remuneration at \$134,000 and to maintain the daily allowance of \$320.

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The current remuneration of LIC Directors and Councillors is as follows:

LIC Board		LIC Shareholder Council	
	Current		Current
Chair	\$123,600	Chair	\$30,000
Each of the other nine Directors	\$54,000	Deputy Chair	\$9,000
Maximum pool available for additional duties and skills*	\$60,000	Each of the 19 other Councillors	\$5,000
Total for LIC Board (as a whole)	\$669,600	Total for LIC Shareholder Council (as a whole)	\$134,000
		Daily Allowance	\$320

*maximum pool available to the LIC Board to compensate Directors for additional attendances and/or special skills, including for roles as Committee Chairs.

Item 4 - Resolution 1: To reappoint KPMG as external auditor

The Board recommends to Shareholders that KPMG be reappointed as the external Auditor for the current year.

Item 5 - Resolution 2: To approve the LIC Shareholder Council's / Shareholder Reference Group's budget

In accordance with clause 21.1 of the Constitution, Shareholders are required to approve the LIC Shareholder Council's budget each year. The Council has reported as follows:

Expenditure	2019 - 2020		2020 - 2021	
	Budget	Actual	Budget (Council)**	Budget (Council/SRG)***
Honoraria	\$142,000	\$136,146	\$142,000	\$118,250
Training costs	\$21,500	\$5,133	\$21,500	\$16,708
Meeting related expenses	\$75,200	\$39,262	\$76,800	\$65,117
Administration	\$4,320	\$9,752	\$4,320	\$3,695
Total	\$243,020	\$190,293	\$244,620	\$203,770

** The budget in this column will apply if the Proposed Governance Changes are not approved at this Annual Meeting.

*** If the Proposed Governance Changes are approved at this Annual Meeting, the budget set out in this column will apply. This budget is a combination of the budget for the Council up to and including 31 December 2020 and the budget for the Shareholder Reference Group from 1 January 2021 to 31 May 2021.

In the unlikely event that LIC Shareholders do not approve resolution 2, LIC would look to suspend the Council/SRG until such time as a budget is approved. LIC notes the Council budget presented does not materially deviate from previous Council budgets approved by Shareholders and the budget for the Council/SRG is lower than the previous Council budget, which reflects the amended size, role and function of the SRG (if the Proposed Governance Changes are approved).

Review of 2019/2020 Expenses vs Budget

The Council's approved budget for 2019/2020 was \$243,020, of which \$190,293 was spent. The 2019/2020 budget included an allowance for Shareholder Council training and for one Councillor to complete the Kellogg Rural Leadership Programme. The allowance for a "Study Tour" was also incorporated into the budget but due to COVID-19 this did not occur.

The base Councillor honoraria was unchanged but there remained a provision for Councillors to claim a daily allowance if attending additional meetings on behalf of the Company. Administration and meeting related costs continue to be kept to a minimum.

2020 / 2021 Season – Budget

Shareholder Council – if the Proposed Governance Changes are not approved

A small increase in the travel and meeting costs has been included to allow for the increase in travel, accommodation and catering costs. Training costs have remained the same for this financial year to enable the Shareholder Council to incorporate some external training with their meetings. The training costs also allow for one Councillor to attend the Kellogg Rural Leadership Programme. The allowance for a "Study Tour" is also incorporated into the budget, with the intention that the Shareholder Council utilises it in early 2021.

Shareholder Council / Shareholder Reference Group – if the Proposed Governance Changes are approved

The budget to be approved for 2020/2021 season would be no more than \$203,770 and reflects the impact of the mid-season change in the size, role and functions of the Shareholder Council. Reduced allowance has been made for travel, accommodation and catering and training costs, which will still allow the Shareholder Reference Group to incorporate some external training as the Shareholder Reference Group Members transition to their new roles.

Item 6 – Resolution 3: To ratify the reappointment of Sophie Haslem as an Appointed Director



Sophie joined LIC's Board initially in December 2018 and her appointment as an Appointed Director (and an Independent Director for the purposes of the NZX Listing Rules) was ratified at the 2019 annual meeting until this 2020 Annual Meeting.

Sophie brings over 20 years of broad commercial experience working across large established corporates and early stage growth companies, and over a decade of governance experience including multiple audit and risk chair roles. She is a current director of Rangatira Limited, CentrePort Limited, Meteorological Service of NZ Limited, Kordia Group Limited, Oyster Property Group Limited and The Akina Foundation.

Sophie is a Chartered Member of the New Zealand Institute of Directors.

The Board would like to ratify her appointment for approximately three years (until the third annual meeting from the date of this Annual Meeting) and continues to consider her to be an Independent Director for the purposes of the NZX Listing Rules.

Part B

Item 7 – Resolution 4: To amend the areas relating to governance arrangements

As part of the Proposed Governance Changes, LIC proposes that Shareholders confirm and approve a reduction in the number of Wards and Regions. The proposed changes are subject to Resolution 5 (which relates to governance-related changes to the Constitution) also being passed.

Regions

LIC proposes to change the existing four Elected Director regions (Northern, Central, Midland and Southern) into two Regions (North Island and South Island), each appointing three Elected Directors.

To effect the relevant changes, the Northern, Midland and Central regions will be consolidated to become the North Island region, and the Southern region will be renamed the South Island region. To allow the Board to transition to three representatives from each Region, one of the North Island seats will be disestablished at the 2022 annual meeting and a new South Island seat will be established at the same time, as described in the Board Transitional Arrangements section under the Explanatory Notes to Resolution 5.

If these changes are adopted, each shareholder (irrespective of the Region) will be entitled to vote for more directors than is currently the case, as they will each be able to vote for three regional Elected Directors.

Wards

LIC proposes to reduce the existing 21 Wards to four and to rename these as Territories because the Board and the Shareholder Council believes this better aligns with LIC's operational activities and approach to enhanced shareholder engagement.

Reflecting the changes proposed to the Constitution (presented in Resolution 5), each Territory will be represented by up to two SRG Members. A further four members of the SRG may be appointed by the Shareholder Reference Group itself.

If approved, the changes to the Wards will take effect on 1 January 2021. For details of transition to the amended SRG model, see the Council Transitional Arrangements in the Explanatory Notes to Resolution 5.

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Changes made in relation to the representational areas are set out in Clause 21 and Schedule 5 of the proposed Constitution. Incidental changes to other clauses and the definitions are found throughout the Constitution accordingly.

A map of the revised Territories (previously, Wards) is also set out in Part B of Schedule 1.

Item 8 - Resolution 5: To amend LIC's Constitution to reflect the Proposed Governance Changes and General Changes

Proposed Governance Changes

The Board and Shareholder Council have undertaken a comprehensive review of the governance structure to develop the changes now proposed. These changes are intended to ensure that the new governance structure reflects LIC as a modern, progressive co-operative in how it engages with, and represents, current and future shareholders, so the co-operative can best serve the shareholders.

The Board and Shareholder Council agree that the Proposed Governance Changes will deliver a more efficient, effective structure, and will enhance engagement between LIC and its shareholders.

Changes to Board Composition and Terms

LIC's Proposed Governance Changes are intended to streamline the timing of elections and balance the number of Elected Directors between the North and South Islands. The key changes to the Board are as follows:

- 1) There will be up to six Elected Directors and up to four Appointed Directors (as opposed to existing seven Elected Directors and three Appointed Directors) - this change will allow for an extra Appointed Director to provide special expertise if required; and
- 2) Director terms - all Directors will be elected (or ratified, in the case of Appointed Directors) at annual meetings of shareholders for terms of about three years (following the one-off Board Transitional Arrangements detailed below). The shorter term for directors will bring LIC in line with the rotation requirements under NZX Listing Rules and improve the robustness of its corporate governance approach. The changes will also reduce administration given, at present, in some years director election takes place in June and ratification of Appointed Directors occurs at the Company's annual meeting in October.

Changes relating to the Board are set out in clause 22 and Schedule 3 of the Constitution. Incidental changes relating to these changes are found throughout the proposed Constitution, including in the definitions section. Further details about the proposed changes to the Constitution are set out in Schedule 1.

A summary of the key events in context with the other changes if the Proposed Governance Changes are approved is set out in Schedule 2.

Board Transitional Arrangements

To help transition the Board to the new structure and election cycle without undue disruption and to provide staggered elections going forward, LIC will follow the following transitional steps (together, Board Transitional Arrangements):

- 1) David Jensen (existing Midland Region Elected Director) will step down with effect from the date of this Annual Meeting (if the Proposed Governance Changes are approved). This will reduce the total number of Elected Directors from seven to six.
- 2) Gray Baldwin, Ken Hames, Alison Watters and Ben Dickie will be re-designated as the Elected Directors of the North Island, and Murray King and Matt Ross will be re-designated as Elected Directors of the South Island.
- 3) The existing terms of tenure of the Elected Directors will be extended by approximately five months (with the exception of Gray Baldwin, whose term will be shortened by approximately 20 months to expire in October 2022). This will help align the expiry of existing Elected Directors' terms with the new annual meeting election dates.
- 4) In the next round of elections, one of the South Island directors (elected at the 2021 annual meeting) and one of the North Island directors (elected at the 2022 annual meeting) will be elected for a two-year term (instead of a three-year term). This will be done on a one-off basis to help ensure that, going forward, LIC will have one North Island seat and one South Island seat up for election each year.
- 5) In October 2022, one of the North Island seats will be disestablished. At the same time, a new South Island seat will be established. This will effect the transition to three Elected Directors from each Region.

To illustrate the transition, the next election details are set out as follows.

	New Region	Next Election Date	Following Election Date
South Island	South Island	Annual meeting 2021	Annual meeting 2023 (following a two-year term)****
	South Island	Annual meeting 2021	Annual meeting 2024
	South Island (new seat)	Annual meeting 2022	Annual meeting 2025
North Island	North Island (to be disestablished)	N/A (Seat disestablished at the annual meeting 2022)	N/A
	North Island	Annual meeting 2022	Annual meeting 2024 (following a two-year term)****
	North Island	Annual meeting 2022	Annual meeting 2025
	North Island	Annual meeting 2023	Annual meeting 2026

**** In relation to the annual meetings in 2021 and 2022 only, two candidates will be elected in respect of the same region at the same annual meeting but will be appointed for different terms. One of the candidates will be elected for a shorter two-year term, while the other candidate will be elected for a standard three-year term. The Board will determine who of the successful candidates will be appointed for which term based on the Board's needs at the relevant time.

The Board Transitional Arrangements will complete in October 2023, from which point all Elected Directors' terms will comply with the amended Constitution.

LIC has sought and obtained a waiver from Listing Rule 2.7.1 to permit the existing Elected Directors (other than Gray Baldwin, whose term will be shortened) to serve a longer term than currently permitted under LIC's current NZX Listing Rules waiver granted on 1 July 2019. This new waiver is on a one-off basis to help streamline the transitional arrangements for the Elected Directors and permit their terms to be extended by approximately five months.

Without the waiver, the tenure of the two existing South Island directors would expire in June 2021. If the Proposed Governance Changes are adopted, with the change to the timing of elections from June to October, it would mean that the South Island director election would have to be held at the 2020 Annual Meeting (at the same time as the Proposed Governance Changes are being voted on).

Delaying the elections for the two South Island directors until the 2021 annual meeting would in turn mean that the following director election rounds will be delayed to ensure a staggered rotation schedule going forward for all Elected Directors.

Changes to Shareholder Representation

From January 2021, LIC proposes to rename the Shareholder Council the "Shareholder Reference Group" (SRG) reflecting a refocussing of its role. The SRG will continue to be an independent body of Shareholders, which will work collaboratively with the Board and LIC management

to promote the interests of Shareholders and assist the Company to deliver on its purpose and vision. LIC is a very different co-operative from what it was twenty years ago. The way Shareholders farm and use LIC's products and services is also very different now.

The SRG will remain a conduit for engagement with LIC Shareholders on matters relating to the Company. The SRG will work with both the Board and management. It will provide the Board with open, honest and constructive views from shareholders on major shareholder issues, and engage with management on operational performance and quality, product development, service delivery, and enhancements that need to be made.

Each Territory (previously Ward) will be represented by up to two elected SRG Members. The SRG will be governed by the SRG by-laws set out in the amended Constitution.

SRG Members will hold office for a period of three years, and their terms will align with the Company's annual meetings for ease of transition and election. Up to four members of the SRG may be directly appointed by the SRG to help support diversity and a broad range of skills on the SRG.

Changes relating to the SRG are set out in clause 21 and Schedule 4 of the proposed Constitution. Incidental changes, such as updated references to the SRG or SRG Members (from the Council or the Councillors) are made throughout the proposed Constitution where applicable.

Further details relating to the changes to shareholder representation under Proposed Governance Changes can be found at Schedule 1.

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Council Transitional Arrangements

The Council will transition to the SRG with effect from 1 January 2021. To effect the transition, the Council will undertake the following changes (together, Council Transitional Arrangements):

- 1) The following Councillors will step down with effect from 31 December 2020: Mark Meyer (Ward 2), Dennis Barclay (Ward 3), Brian Pirie (Ward 4), Wynn Brown (Ward 7), Jeanette Quin (Ward 8), David Beuth (Ward 9), Gerard van Beek (Ward 10) and Gordon Glentworth (Ward 13). This will reduce the total number of representatives to 12. All resigning Councillors will be eligible for re-election or re-appointment in the future, subject to them continuing to meet the applicable qualification criteria.
- 2) To implement the amended representation structure, with effect from 1 January 2021:
 - (i) Lyna Beehre and Mark Benns will be re-designated as Upper North Island elected SRG Members;
 - (ii) Mark Hooper and Richard Ridd will be re-designated as Lower North Island elected SRG Members;
 - (iii) Nathan Keoghan and Phil Lowe will be re-designated as Upper South Island elected SRG Members;
- 3) With effect from 1 January 2021, the existing terms of tenure of the Councillors will be amended to help align the expiry of existing Councillors' terms with the new annual meeting election and appointment dates (as set out in the table below). Following the expiry of the amended current terms, the terms will transition to approximately three years as per the amended Constitution.
- 4) The Constitution changes relating to the SRG and the transition of the Shareholder Council to the SRG will take effect on 1 January 2021.

(iv) Bruce Murphy and Mark Shore will be re-designated as Lower South Island elected SRG Members; and

(v) David Hands, John Dowdle, Christine Macbeth and Wayne Reynolds will be re-designated as appointed SRG Members.

This will ensure each Territory is represented by two elected SRG Members and there are four appointed SRG Members.

- 3) With effect from 1 January 2021, the existing terms of tenure of the Councillors will be amended to help align the expiry of existing Councillors' terms with the new annual meeting election and appointment dates (as set out in the table below). Following the expiry of the amended current terms, the terms will transition to approximately three years as per the amended Constitution.
- 4) The Constitution changes relating to the SRG and the transition of the Shareholder Council to the SRG will take effect on 1 January 2021.

Paragraphs 1 and 2 above assume none of the Councillors named above resign or step down prior to 1 January 2021.

To illustrate the transition, the SRG election and appointment details are set out below.

	Number of SRG Members	New Territory	Next Election Date	Following Election Date
Elected Members	Two members	Upper North Island	Annual meeting 2022	Annual meeting 2025
	Two members	Lower North Island	Annual meeting 2023	Annual meeting 2026
	Two members	Upper South Island	Annual meeting 2022	Annual meeting 2025
	Two members	Lower South Island	Annual meeting 2023	Annual meeting 2026
Appointed Members	One member	N/A	Annual meeting 2021	Annual meeting 2024
	One member	N/A	Annual meeting 2021	Annual meeting 2024
	One member	N/A	Annual meeting 2022	Annual meeting 2025
	One member	N/A	Annual meeting 2023	Annual meeting 2026

The Board Transitional Arrangements described above together with the Council Transitional Arrangements are referred to in this document as Transitional Arrangements.

A summary of the key events in context with the other changes if the Proposed Governance Changes are approved is set out in Schedule 2.

General Changes to the LIC Constitution

In addition to the Proposed Governance Changes, LIC has identified a number of general changes it wishes to make to the Constitution. These changes primarily relate to the following:

- Changes intended to reduce the administrative burden on LIC in certain circumstances – these changes relate to the process around allocation of LIC debtor codes (to be renamed “participant codes”), permit notices to be served by electronic means and meetings to be held by a combination of in person and electronic means, and allow vacancies on the Honorary Committee to be filled on a casual basis.
- Updates to reflect changes to the NZX Listing Rules and LIC capital’s structure over the years, as well as other non-material changes, including consolidation of definitions, removal of outdated references and updates to legislative references.

Please see Schedule 1 for more details about the General Changes proposed.

If either Resolution 4 or 5 is not approved, then LIC’s existing governance structure will continue unchanged and no General Changes will be made.

Item 9 - Resolution 6: To amend LIC’s Constitution to implement the Market Maker Changes

LIC recognises that due to the restrictions on who may hold LIC’s shares, its stock is more illiquid than other listed companies. LIC’s shares can take a significant time to sell and the trading of small parcels of shares can move the market price markedly. On rare occasions, LIC shares have a significant spread between the quoted buy and sell prices, although this has narrowed since the introduction of ordinary shares in 2018.

LIC proposes to introduce the option to be able to appoint one or more firms to act as a market maker (Market Maker). A Market Maker is a financial services provider that stands ready to buy and sell shares on a regular and continuous basis at a publicly quoted price. The role of the Market Maker is solely to provide additional liquidity in LIC shares for those approved to buy and sell shares without the need to wait for investors. The aim of the Market Maker is to create price stability and additional liquidity through consistent two-way quotes in LIC shares on the NZX. It is also likely to reduce the time for trades, especially small parcels, to be matched and executed as the Market Maker will be able to fulfil trading requests (as required under LIC’s Constitution or otherwise) when there are no other parties that are able to trade.

As the Constitution restricts who may hold shares, an amendment to the Constitution is required to permit a Market Maker appointment. The proposed provisions are set out in clauses 3.2(c)(vi) and 8.5 of the proposed Constitution. The proposed changes allow a Market Maker to be

appointed and to hold shares for the purposes of increasing the liquidity of LIC shares. A Market Maker would only be able to trade LIC shares with persons who are permitted to hold LIC shares under the Constitution. A Market Maker will not be permitted to exercise any voting rights on any shares that it holds. LIC will pay the Market Maker a service fee, currently estimated to be between \$20,000 and \$30,000 per annum. The exact amount of the fees will be agreed in the written arrangement between LIC and the Market Maker. Pursuant to the Dairy Industry Restructuring Act 2001, the Minister of Agriculture must also approve the proposed changes in addition to the changes receiving the requisite shareholder support as it permits the Market Maker to hold shares in LIC.

If Resolution 6 is not passed and/or is not approved by the Minister of Agriculture, then no changes will be inserted into LIC’s Constitution to permit a Market Maker to be appointed.

NZX Waivers, Rulings and Non-Standard Designation

LIC was granted waivers and rulings as part of its migration to the NZX Main Board on 1 July 2019 (the 2019 Waiver). These modify the requirements as set out under NZX Listing Rules to the extent that the Constitution may be read in place of some of the NZX Listing Rules. LIC’s co-operative nature means some NZX Listing Rules are not directly applicable to the company and LIC had sought waivers and rulings at the time of the migration to ensure that it can remain in compliance with the NZX Listing Rules (as amended).

Changes to waivers granted by NZX

In connection with the Proposed Governance Changes, LIC has sought and been granted a new waiver to NZX Listing Rule 2.7.1 to allow the existing Elected Directors’ terms of tenure to be amended as described in the Board Transitional Arrangements. This waiver will operate in respect of an Elected Director’s appointment until the next re-election date for the existing Elected Director as stated in the Board Transitional Arrangements, following which the rotation of the Elected Director will comply with the NZX Listing Rules and this waiver will be no longer required. This waiver is subject to Resolution 5 being passed.

Waivers and rulings granted in 1 July 2019 decision

Subject to the Proposed Governance Changes being approved, LIC is also seeking to amend to the 2019 Waiver decision because LIC will no longer be reliant on all of the waivers and rulings granted in that decision.

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These changes are as follows:

- **Waiver from Rule 2.3.1 and 2.7.1:** A waiver was granted to allow Appointed Directors to be appointed, to have their appointment ratified and to retire, in accordance with Schedule 3 of the Constitution. If the Proposed Governance Changes are approved, the changes made to the appointment of Appointed Directors under the Constitution will be compliant with the two Rules and this waiver will be no longer required.
- **Waivers from Rule 2.7.1:** Two waivers were previously granted in relation to this Rule to permit:
 - Elected Directors appointed on a casual basis to stand for re-election after their appointment on or around 1 June (reflecting the current director election cycle), as set out in the Constitution; and
 - Elected Directors to retire by rotation every four years following appointment from on or around 1 June of the year they were appointed, as set out in the Constitution.

As a result of the new waiver from Listing Rule 2.7.1, this waiver will no longer be required.

LIC will continue to rely on the other waivers and rulings in the 2019 Waiver, insofar as set out in summary below.

- **Definition of "renounceable":** A ruling has been granted to allow the definition of "Renounceable" to refer to a right or an offer of securities by LIC that is transferrable to any person entitled to hold those securities. This reflects the ownership restrictions on Shares, as a result of the co-operative nature of LIC.
- **Definition of "minimum holding":** A ruling has been granted that the term "Shareholding Requirement" as defined in the Constitution replaces "Minimum Holdings" for the purposes of the definition of "Minimum Holdings" in the Glossary to the NZX Listing Rules.
- **Listing Rule 2.3.1:** A waiver has been granted to allow LIC director nominations to be restricted by region and by qualification.

- **Listing Rule 2.3.2:** A waiver has been granted to allow the nomination procedure set out in schedule 3 of the Constitution.
- **Listing Rule 3.13.1:** A waiver has been granted from NZX Listing Rule 3.13.1 to allow LIC to release details of Nil Paid Shares which are converted into fully paid Ordinary Shares on a monthly basis on the first Business Day of the calendar month following the calendar month to which the notice and Nil Paid Shares it relates to, instead of an immediate notification.
- **Listing Rule 6.2.4:** A waiver has been granted to allow nil paid shares to carry full voting rights.
- **Listing Rule 8.1.6(b):** A waiver has been granted to allow certain restrictions in the Constitution to reflect LIC's co-operative structure, including in relation to voting and shareholding requirements.

LIC will also seek to update the relevant background information to ensure that the updated 2019 Waiver decision is up to date.

If the Proposed Governance Changes are approved, an updated 2019 Waiver decision will be released following the confirmation of the Proposed Governance Changes being approved on nzx.com.

Other waiver granted - Listing Rule 4.15.1

Further, LIC also has obtained a waiver from NZX Listing Rule 4.15.1 to allow LIC to provide financial assistance to the "Approved Holding Entity" as defined in the Constitution. The Approved Holding Entity acquires shares in LIC on behalf of Shareholders in administering a voluntary investment scheme approved by the Board.

Required Approvals

All LIC Shareholders are entitled to attend and vote at this Annual Meeting (subject to constitutional voting restrictions). The following table sets out what voting thresholds and conditions need to be met for the Resolutions to be passed.

	Resolutions 1 to 3	Resolution 4 Area Representation Changes	Resolution 5 Proposed Governance Changes and General Changes	Resolution 6 Market Maker
Type of resolution and approval threshold	Each, an ordinary resolution, to be passed by a simple majority of the votes of those Shareholders entitled to vote and voting on the resolution.	Ordinary resolution, to be passed by a simple majority of the votes of those Shareholders entitled to vote and voting on the resolution.	Special resolution, to be passed by at least 75% of Shareholders entitled to vote and voting on the resolution.	Special resolution, to be passed by at least 75% of Shareholders entitled to vote and voting on the resolution.
Conditionality	N/A	Resolution 4 is conditional on Resolution 5 being passed.	Resolution 5 is conditional on Resolution 4 being passed.	This resolution is conditional on consent of the Minister of Agriculture to the proposed changes.

Format of the Meeting

In light of the restrictions imposed on New Zealand to date under various alert levels as a result of COVID-19, and the ongoing risk that the alert level may be raised in future, the meeting will be a fully virtual meeting.

Shareholders will be able to vote electronically, by post or by appointing a proxy (in the manner set out in the section on how to cast a vote below).

Shareholders can attend and participate virtually from anywhere in the country through the LIC website (www.lic.co.nz/annualmeeting). Shareholders are encouraged to vote either electronically (via LIC's website), by post or by appointing a proxy. Advanced electronic voting closes at 10.30 am on Tuesday 13 October but shareholders who attend the virtual meeting will be able to cast their vote at the meeting, if they have not already done so.

How to Cast a Vote

Shareholders can vote in one of the following ways:

- 1) **Electronic voting**
- 2) **Postal voting**
- 3) **Appoint a Director or Councillor of LIC, or another person, as your proxy**

Each method of voting and the way to use the Voting Form enclosed with this document are explained in detail below.

Please choose only one voting option.

Full details on how to return your Voting Form to electionz.com are available at the end of this section.

1) To vote electronically

If you wish to cast your vote electronically:

- (a) Visit www.lic.co.nz/annualmeeting.
- (b) Enter your PIN and Password as shown on your Voting Form.
- (c) Follow the prompts to complete your vote.

Advanced electronic voting will close at **10.30 am on 13 October 2020**.

If you are attending the virtual meeting, you may cast your vote in the course of the meeting using the PIN and Password provided, if you have not already done so.

2) To cast a postal vote

If you wish to cast a postal vote, complete the Postal Vote section on your Voting Form, indicate how you wish to vote on each Resolution and return the form to electionz.com in any manner described at the bottom of this section.

3) To appoint a Director or Councillor of LIC, or another person, to vote on your behalf as your proxy

If you wish to appoint a Director or Councillor of LIC or any other person as your proxy, you need to complete the proxy section on your Voting Form. A proxy need not be a Shareholder of LIC.

Please read the information on "Proxy Appointment" on the reverse of your Voting Form carefully. In the area provided, please insert the name of the Director, Councillor or other person you wish to appoint. Use the voting boxes to indicate how you wish your proxy to vote. Alternatively indicate "Proxy Discretion".

If you return the Proxy section of the Voting Form without indicating how you wish your proxy to vote, your proxy will vote, or abstain from voting, as he or she sees fit. If you indicate on the Voting Form how you wish your proxy to vote, your proxy will vote as directed.

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Any Director or Councillor of LIC who is appointed as a proxy and is given discretion as to how to vote will vote in what he or she believes to be the best interests of LIC.

The proxy appointment section of the Voting Form must be completed, signed and received by electionz.com no later than 10.30 am on 13 October 2020.

If you are using postal voting or appointing a proxy, return your Voting Form to electionz.com in any of the following ways:

- **mail** to electionz.com in the reply paid envelope provided; or
- **address and mail** to Livestock Improvement Corporation Limited, PO Box 3138, Christchurch 8140; or
- **deliver** to electionz.com Ltd, 3/3 Pukaki Road, Yaldhurst, Christchurch 8042; or
- **fax** to 03 377 1474; or
- **scan and email** to iro@electionz.com (please put the words "LIC Annual Meeting" in the subject line for easy identification).

If you are not attending and voting at the Annual Meeting, your advance electronic vote must be cast or your Voting Form must be received by electionz.com no later than 10.30 am on 13 October 2020 to be valid.

The Board has appointed Melanie Tonkin as the Returning Officer. She has authorised electionz.com to receive, record and count all postal votes, electronic votes and proxy votes.

If you have any questions regarding the voting, please contact the Election Helpline on 0800 666 049.

Please Note:

- (a) Please choose only one voting option.
- (b) Multiple herd owners need to vote on each Voting Paper received individually.

Voting restrictions

There is a 1% voting cap which applies to all LIC shareholders pursuant to the Dairy Industry Restructuring Act 2001 and LIC's Constitution. The 1% voting cap is calculated based on the number of votes that may be exercised at this meeting (and so excludes treasury stock and other restricted securities).

Any LIC shareholder who holds more than 1% of LIC's shares on issue will be limited in their ability to vote to the equivalent of 1% of the votes cast on the resolution. Where a particular shareholder has multiple holdings across different entities or debtor codes, restrictions will apply to all affected voting securities on a pro-rata basis.

Disclosure of financial assistance as required under the Companies Act 1993

LIC's Board has approved the provision of financial assistance in relation to three schemes that are available to eligible LIC Shareholders and/or employees. These are:

- (a) LIC Employee Share Scheme;
- (b) LIC Voluntary Investment Scheme; and
- (c) LIC Dividend Reinvestment Plan.

Details relating to how much financial assistance LIC intends to provide and the relevant considerations by the Board are set out below. The Directors who voted in favour of this resolution have signed certificates in accordance with sections 77(2) and 78(3) of Companies Act.

LIC Employee Share Scheme

LIC will provide financial assistance to those employees who elect to participate in the LIC Employee Share Scheme (Employee Scheme) which from 1 April 2011 has been managed by Craigs Investment Partners Ltd (Craigs) with Custodial Services Ltd acting as custodian (Custodian). LIC proposes to pay Craigs and the Custodian's fees and expenses (including brokerage). The amount of the Craigs fee will depend on how many employees participate in the Employee Scheme and the level of their contribution. An estimate of the net amount of the financial assistance is \$15,000.

The Board resolved on 22 July 2020 that LIC should provide the financial assistance referred to above (Employee Scheme Assistance) for the period of twelve months commencing 10 working days after the date of sending this disclosure to Shareholders, and that the giving of the Employee Scheme Assistance is in the best interests of LIC and is of benefit to Shareholders not receiving that financial assistance; and that the terms and conditions under which the Employee Scheme Assistance is given are fair and reasonable to LIC and to the Shareholders not receiving that financial assistance. The grounds for the Board's conclusions are as follows.

- (a) The Employee Scheme is a valuable addition to the benefits available to the employees of LIC and will assist in retaining them as valuable staff.
- (b) The Employee Scheme is a method of aligning the interests of employees with the interests of Shareholders and is an effective means of motivating future performance of the employees. This is expected to bring about an increase in the value of the Shares.

- (c) Shareholders will not be diluted or otherwise disadvantaged as no new Shares are being issued under the Employee Scheme.
- (d) The additional shares will be purchased through Craigs at the market price.
- (e) The Employee Scheme will enhance the liquidity in the market for the Shares, providing a more liquid market for Shareholders wishing to sell those Shares.
- (f) The amount of financial assistance is minimal in comparison to the benefits arising out of the Employee Scheme for Shareholders and LIC.

LIC Voluntary Investment Scheme

LIC will provide financial assistance to those directors and senior managers who are eligible and elect to participate in the Voluntary Investment Scheme (Investment Scheme) by agreeing to pay to The New Zealand Guardian Trust Company Limited (Guardian Trust) as the Approved Holding Entity the annual services fee and other fees, brokerage costs, and commission incurred for the purposes of the Investment Scheme. Craigs has been appointed as the Broker to purchase the Shares on the NZX market for the purposes of the Investment Scheme, and the money paid by LIC to Guardian Trust as Approved Holding Entity will include any fees, brokerage and commission costs of Craigs.

LIC is required to make disclosure to all Shareholders in respect of this proposed financial assistance. The exact amount of the net costs depends upon the extent to which eligible directors and senior managers participate in the Investment Scheme. However, an estimate of the net amount of financial assistance in the next 12 months is \$12,000.

The Board resolved on 22 July 2020 that LIC should provide the financial assistance referred to above (VIS Assistance) for the period of twelve months commencing 10 working days after the date of sending this disclosure to Shareholders, and that the giving of the VIS Assistance is in the best interests of LIC and is a benefit to Shareholders not receiving that financial assistance; and that the terms and conditions under which the VIS Assistance is given are fair and reasonable to LIC and to the Shareholders not receiving that financial assistance. The grounds for the Board's conclusions are:

- (a) The VIS Assistance enables LIC to provide eligible directors and senior managers with an efficient means of acquiring additional Shares in LIC without incurring transaction costs which they would otherwise incur.
- (b) The additional Shares will be purchased by Craigs at the NZX market price and participating directors and senior managers will pay the average NZX market price paid by Craigs on market for those Shares.

- (c) Participating directors and senior managers will pay a uniform price in relation to a season.
- (d) The Investment Scheme will enhance the liquidity in the market for the Shares, providing a more liquid market for both participating directors and senior managers and non-participating Shareholders wishing to sell Shares.
- (e) The Investment Scheme enables LIC to offer eligible directors and senior managers a mechanism to invest in Shares without resulting in unnecessary new capital being raised through the issue of new Shares.
- (f) The amount of financial assistance is minimal in comparison to the benefits arising out of the Investment Scheme for participating directors and senior managers, non-participating Shareholders and LIC.

LIC Dividend Reinvestment Plan

LIC will provide financial assistance to those Shareholders who elect to participate in the Dividend Reinvestment Plan (Dividend Plan) by agreeing to pay to Guardian Trust as the Approved Holding Entity the services and administration fees and brokerage and commission costs incurred for the purposes of the Dividend Plan. Craigs has been appointed as the Broker to purchase the Shares on the NZX market for the purposes of the Dividend Plan, and the money paid by LIC to Guardian Trust as Approved Holding Entity will include the administration fee, brokerage and commission costs of Craigs. The amount of the financial assistance will depend upon the extent to which Shareholders participate in the Dividend Plan. An estimate of the amount of the financial assistance is \$22,000.

The Board resolved on 22 July 2020 that LIC should provide the financial assistance referred to above (Dividend Plan Financial Assistance), for the period of 12 months commencing 10 working days after sending this disclosure to Shareholders, and that the giving of the Dividend Plan Financial Assistance is in the best interests of LIC and is of benefit to Shareholders not receiving that financial assistance; and that the terms and conditions under which the Dividend Plan Financial Assistance is given are fair and reasonable to LIC and to the Shareholders not receiving that financial assistance. The grounds for the Board's conclusions are:

- (a) The Dividend Plan Financial Assistance enables LIC to provide Shareholders with an efficient means of acquiring additional shares in LIC without incurring transaction costs which they would otherwise incur.
- (b) The Dividend Plan Financial Assistance is available to all eligible shareholders, giving equal opportunity to participate in the benefits of the Dividend Plan.
- (c) The additional shares will be acquired by Craigs either through on-market transactions or the issue of shares by LIC from Treasury Stock.

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- (d) Shareholders who do not participate will not be diluted or otherwise disadvantaged as no new shares are being issued under the Dividend Plan.
- (e) Participating Shareholders will pay no greater than the higher of:
 - (i) the volume-weighted average price of shares trading on the NZX Market during the 20 Business Days prior to the date that the Board determines to issue shares from treasury stock; and
 - (ii) the average NZX market price paid by Craigs on market for those Shares.
- (f) The Dividend Plan will enhance the liquidity in the market for the Shares, providing a more liquid market for both participating and nonparticipating Shareholders wishing to sell those Shares.
- (g) The amount of financial assistance is minimal in comparison to the benefits arising out of the Dividend Plan for shareholders and LIC.

GLOSSARY

Annual Meeting means the 2020 annual meeting of Shareholders to be held online at www.lic.co.nz/annualmeeting.

Appointed Directors means directors appointed by the Board of LIC pursuant to the Constitution or the amended Constitution as appropriate.

Board means the Directors numbering not less than the required quorum acting together as a board of Directors.

Board Transitional Arrangements means the transitional arrangements for the Board which will apply if Resolution 5 is passed, as set out on page 10 of this Notice of Meeting.

Business Day has the meaning given to 'Working Day' in the Companies Act.

Companies Act means Companies Act 1993.

Company or **LIC** means Livestock Improvement Corporation Limited.

Constitution means the constitution of LIC.

Council Transitional Arrangements means the transitional arrangements for the Shareholder Council which will apply if Resolution 5 is passed, as set out on page 12 of this Notice of Meeting.

Councillor means a person elected by Shareholders within a Ward to represent that Ward on the LIC Shareholder Council in accordance with the Constitution.

Directors means the directors for the time being of the Company.

Elected Directors means directors elected by Shareholders pursuant to the Constitution or the amended Constitution as appropriate.

General Changes means the amendments to the Constitution as outlined in the summary of General Changes in Schedule 1, together with such other changes that are consequential, necessary or desirable to give effect to such changes. The General Changes are detailed in the mark-up of the Constitution available at www.lic.co.nz/annualmeeting.

Listing Rules means the NZX Listing Rules, dated 1 January 2020, which relate to the NZX Main Board as amended from time to time, and may be a reference to a particular Rule or Rules as specified.

Market Maker Changes means the amendments to the Constitution required to introduce a Market Maker, as outlined in the summary of Market Maker Changes in Schedule 1, together with such other changes that are consequential,

necessary or desirable to give effect to such changes. The Market Maker Changes are detailed in the mark-up of the Constitution available at www.lic.co.nz/annualmeeting.

NZX means NZX Limited.

Proposed Governance Changes means the amendments to the Company's governance structure as outlined in Part A of the summary of Proposed Governance Changes at Schedule 1, together with such other changes that are consequential, necessary or desirable to give effect to such changes. The Proposed Governance Changes are detailed in the mark-up of the Constitution available at www.lic.co.nz/annualmeeting.

Region means a geographical area designated as a 'Region' pursuant to the Constitution.

Returning Officer has the meaning given in the Constitution.

Revised Region Description means the revised region description and map set out in Part B of Schedule 1.

Revised Ward Description means the revised ward description and map set out in Part B of Schedule 1.

Share means a share in the capital of the Company that has been or may be issued from time to time, which has the rights set out in section 36(1) of the Companies Act.

Shareholder means a person whose name is entered in the register of security holders maintained by the Company as the holder for the time being of one or more Shares.

Shareholder Council means the LIC Shareholder Council.

Shareholder Reference Group or **SRG** means the Shareholder Council, the membership and by-laws of which have been varied as contemplated by Resolution 5.

Territory means a geographical area designated as a 'Territory' pursuant to the amended Constitution for the purposes of representation on the Shareholder Reference Group. The four Territories are Upper North, Lower North, Upper South or Lower South.

Transitional Arrangements means, together, the Board Transitional Arrangements and Council Transitional Arrangements.

Voting Form means the combined proxy appointment and voting form to be used for the purposes of the Annual Meeting.

Ward means a Shareholder Council ward pursuant to the Constitution.

SCHEDULE 1

Summary of the Changes to the Constitution

The following documents are available on the Company's website: www.lic.co.nz/annualmeeting:

- the current Constitution;
- a clean version of the Constitution incorporating all proposed changes; and
- a marked-up version of the Constitution showing all proposed changes.

The table below summarises the key proposed changes to the Constitution.

Part A - Constitution changes

Description	Existing Position	Proposed Position	Reason for Change
Proposed Governance Changes			
Number of Directors	<ul style="list-style-type: none"> • Up to seven Elected Directors. • Up to three Appointed Directors. 	<ul style="list-style-type: none"> • Up to six Elected Directors. • Up to four Appointed Directors. 	The changes to the number of directors reflect the changes to Regions. Further, the changes will allow the Board to appoint an extra Appointed Director based on the co-operative's needs for specialist expertise in the future.
Territories/Wards	The existing Constitution uses the term "Wards".	"Wards" are to be renamed "Territories".	Updated terminology.
Representation (Assumes shareholder approval is received to change regional boundaries as proposed by Resolution 4)	<ul style="list-style-type: none"> • One Elected Director for Northern Region. • Two Elected Directors for each of the other three regions. 	Two regions with three Elected Directors for each of the North Island and South Island regions.	<p>These changes are intended to ensure the Board is the right size and offers balanced representation between the North and South Islands.</p> <p>As a result of this change, each shareholder (irrespective of the Region) will be entitled to vote for more directors than is currently the case.</p>

Description	Existing Position	Proposed Position	Reason for Change
Proposed Governance Changes			
Director term of office	<p>Elected Directors Typically 1 June appointments – four year terms apply.</p> <p>Appointed Directors Appointed by the Board following Shareholder Council approval for a term not exceeding three years. Appointment needs to be ratified at the next annual meeting.</p> <p>Casual vacancies If a vacancy arises for an Elected Director more than eight months before the relevant retirement / rotation date, a new election is held, with appointment to last until the previously scheduled retirement date.</p> <p>If such a vacancy arises less than eight months before the relevant retirement / rotation date, then the Board may appoint a Director to fill that casual vacancy with appointment to last until the first day of June next occurring.</p>	<p>Subject to the Board Transitional Arrangements, Elected Directors and Appointed Directors will be elected / re-elected at an annual meeting and hold office for a period not exceeding three years or the date of the third annual meeting following election or re-election (whichever is longer).</p> <p>Casual vacancies The Board may fill a casual vacancy to hold office until the next annual meeting.</p>	<p>The new provisions align with the NZX Listing Rules, which require that director terms do not exceed three years or the third annual meeting following the appointment (whichever is longer). The term changes represent a best practice approach and meet the recommendations under the NZX Corporate Governance Code ensuring regular board rotation.</p>
Shareholder Representation	<p>The body is currently called “LIC Shareholder Council” and its members are called “Shareholder Councillors”.</p> <p>The LIC Shareholder Council is made up of 21 members, with each Ward represented by one Councillor.</p> <p>Councillors hold office for approximately four years commencing on the first day of June next occurring after the date he or she is elected as a Councillor. A Councillor retiring is eligible for re-election.</p> <p>The Shareholder Council is governed by the by-laws set out in the Constitution.</p>	<p>The “LIC Shareholder Council” will be renamed as “Shareholder Reference Group” or “SRG”. Members of the SRG will be called “SRG Members”.</p> <p>The SRG will comprise up to 12 members - up to two per Territory and a maximum of four further SRG Members appointed by the SRG. The SRG will be governed by the by-laws set out in the new Constitution.</p> <p>Each SRG Member will be elected / appointed for up to three years, with elections / appointments coinciding with the annual meeting of shareholders.</p> <p>Relevant references throughout the Constitution will be updated with effect from 1 January 2021.</p>	<p>The changes have been designed to streamline, modernise and focus the SRG. They are also intended to ensure diversity and a broad range of skills on the SRG.</p> <p>Aligning the tenure and timing of elections and appointments will streamline the election and appointment process and reduce costs and administrative burden on LIC.</p>

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Description	Existing Position	Proposed Position	Reason for Change
Proposed Governance Changes			
Honoraria Committee election timing	Honoraria Committee members are elected at a time directed by the Board, such time to be not later than two months prior to each annual meeting.	Honoraria Committee member elections will be aligned with annual meetings.	This change aligns the timing of Honoraria Committee members' elections with Director and SRG Member elections to maximise efficiency and reduce the administrative burden on LIC.
Market Maker Changes			
Appointment	N/A	LIC's Board may, from time to time, appoint one or more persons to acquire, hold or dispose of LIC shares to promote and improve the liquidity of LIC shares.	LIC recognises that, due to the restrictions around who may hold LIC's shares, its shares are more illiquid than other companies. As a result, purchases and sales of shares on market take longer than they would otherwise. The introduction of the Market Maker provisions is intended to assist with improving the liquidity of LIC's shares.
No Voting Rights	N/A	Shares held by the Market Maker do not have any voting rights.	The Market Maker will be tasked with improving the liquidity of LIC's shares but will not be permitted to participate in the usual governance arrangements despite holding LIC shares.
General Changes			
Debtor code allocation	Board approval required to allocate debtor code to LIC shareholders.	LIC can allocate debtor codes (which are also to be renamed as "participant codes") without Board approval.	The change reduces the administrative burden associated with LIC debtor/participant code allocation. Practically, LIC's administrative team manages this role already.
General determinations by the Board	The Constitution requires the Board to make determinations in respect of transfer restrictions and the form of transfer instrument relating to individual shareholdings only.	Allow the Board to make determinations generally in respect of transfer restrictions and the form of transfer instrument rather than on an individual shareholding basis.	This change again streamlines the decision-making and approval process. LIC's Board will still continue to have the power to make determinations on an individual basis.

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Description	Existing Position	Proposed Position	Reason for Change
Honoraria Committee - casual vacancies	There is no power to make appointments to fill a vacancy on a casual basis.	The Committee will be permitted to fill a vacancy on a casual basis. Any member appointed as a casual vacancy must be qualified to be appointed an Honoraria Committee member and may only hold office until the following annual meeting (but will be eligible for re-election at that meeting).	This change brings the process more in line with the governance arrangements, and introduces flexibility to the Committee, allowing more effective decision-making.
Electronic notices	N/A	Expressly permit notices to LIC shareholders may be given electronically (e.g. via email).	The NZX Listing Rules provide LIC the ability to electronically notify its shareholders but LIC wants to make it express in its Constitution.
Virtual/electronic shareholder meetings	The Constitution permits shareholder meetings to be held in person <u>or</u> by electronic means.	Expressly permit the combination of meetings held in person and by electronic means.	This provision is being amended to expressly permit shareholder meetings to be held in person and through electronic means at the same time. This reflects the provisions of the Companies Act.
Alternate Directors	No position stated.	Expressly state no alternate directors may be appointed in Schedule 3 of the amended Constitution.	Clarification as LIC does not wish for its directors to appoint alternate directors to act on their behalf.
Definition updates	N/A	General changes and alignment to reflect the single class of LIC Ordinary Shares. Flow on effects include removing multiple definitions referring to the same matter e.g. consolidating "Ordinary Shareholder" and "Shareholder".	N/A
Updates to Listing Rules and legislation references	N/A	Update out of date references to the NZX Listing Rules and relevant legislation.	N/A

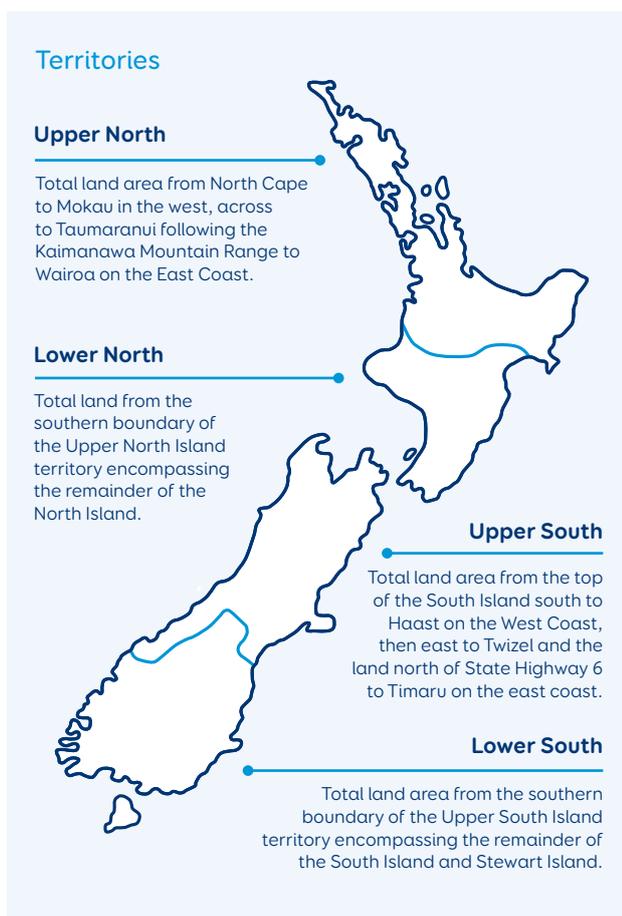
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Part B - Changes to Wards and Regions

Revised Wards

Description of changes to wards:

Wards will be renamed 'Territories'. The four Territories will be: Upper North, Lower North, Upper South and Lower South as shown on the map below.



Revised Regions

Description of changes to regions:

“Region One - Northern”, “Region Two - Midland” and “Region Three - Central” will be consolidated and renamed “North Island”, with its boundaries becoming the total land area of the North Island. For the purposes of the Constitution, the Region previously known as the “Northern Region” will cease to exist, with the land to which it related coming within the new North Island Region.

“Region Four - Southern” will be renamed “South Island”, with its boundaries becoming the total land area of the South Island and Stewart Island.

SCHEDULE 2

Transitional Arrangements - Key Events Timeline

A timetable of the key events, if the Proposed Governance Changes are approved, is set out below. Details relating to the existing Elected Directors and Councillors who are currently elected and appointed may be found in the relevant Explanatory Notes for Resolution 5.

Date	Event
15 October 2020 (at the completion of the annual meeting 2020)	<ol style="list-style-type: none"> 1. Regions are reduced from four to two (North Island and South Island). 2. David Jensen steps down as director. 3. Gray Baldwin, Ken Hames, Alison Watters and Ben Dickie are re-designated as the Elected Directors of the North Island, and Murray King and Matt Ross are re-designated as Elected Directors of the South Island. 4. Elected Directors' terms are amended to reflect the transitional arrangements - most importantly, amended terms align with annual meetings of shareholders. 5. The Proposed Governance Changes (other than those relating to the SRG) take effect.
1 January 2021	<ol style="list-style-type: none"> 1. Wards are renamed Territories and reduce from 21 to four (Upper North Island, Lower North Island, Upper South Island and Lower South Island). 2. The Shareholder Council is renamed Shareholder Reference Group. 3. The Constitution changes relating to the SRG and the transition of the Shareholder Council to the SRG take effect. 4. The following Shareholder Councillors will step down: Mark Meyer (Ward 2), Dennis Barclay (Ward 3), Brian Pirie (Ward 4), Wynn Brown (Ward 7), Jeanette Quin (Ward 8), David Beuth (Ward 9), Gerard van Beek (Ward 10) and Gordon Glentworth (Ward 13). 5. The remaining Councillors will be reassigned as SRG Members: <ol style="list-style-type: none"> a. Lyna Beehre and Mark Benns will be re-designated as Upper North Island elected SRG Members; b. Mark Hooper and Richard Ridd will be re-designated as Lower North Island elected SRG Members; c. Nathan Keoghan and Phil Lowe will be re-designated as Upper South Island elected SRG Members; d. Bruce Murphy and Mark Shore will be re-designated as Lower South Island elected SRG Members; and e. David Hands, John Dowdle, Christine Macbeth and Wayne Reynolds will be re-designated as appointed SRG Members. 6. The existing terms of the SRG Members will be amended to expire at the annual meetings as described on page 12.

LIC - NOTICE OF 2020 ANNUAL MEETING

Date	Event
Annual meeting 2021	<ol style="list-style-type: none"> 1. Elections held for two South Island Directors. 2. One of the two South Island Directors will be elected for approximately two years to the 2023 annual meeting to ensure staggered rotation schedule thereafter.
Annual meeting 2022	<ol style="list-style-type: none"> 1. New South Island Region seat established and one North Island Region seat disestablished. 2. Elections held for two North Island Directors. One of the two North Island Directors will be elected for approximately two years to the 2024 annual meeting to ensure staggered rotation schedule thereafter. 3. Election held for the new South Island Director seat. 4. SRG Member elections held for two Upper North Island and two Upper South Island seats.
Annual meeting 2023	<ol style="list-style-type: none"> 1. Election held for one North Island and one South Island Director seat. 2. SRG Member elections held for the two Lower North Island and two Lower South Island seats.

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